

**STATE OF MISSISSIPPI  
DEPARTMENT OF FINANCE AND ADMINISTRATION**

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TOPIC	PURCHASING	SUB-SECTION 09.10.10
SECTION	OVERVIEW	ISSUANCE DATE JULY 1,1998
SUB-SECTION	INTRODUCTION	REVISION NUMBER 99-001

**INTRODUCTION**

Section 7-7-23, Miss. Code Ann. (1972), states in part:

"Purchases of equipment, supplies, materials, or services of whatever kind or nature for any department, officer, institution, or other agency of the state, the cost of which is to be paid from funds in the State Treasury on State Fiscal Officer disbursement warrants, may be made only by written purchase orders duly signed by the official authorized so to do, on forms prescribed by the State Fiscal Officer. Purchases of such equipment, supplies, materials, or services, as specified herein, made without the issuance of such purchase orders shall not be deemed to be obligations of the state unless the State Fiscal Officer, by general rule or special order, permits certain purchases to be made without same."

Section 7-7-25, Miss. Code Ann. (1972), states in part:

"Upon receipt of each purchase order filed with the State Fiscal Officer under the provisions of section 7-7-23, the State Fiscal Officer shall, upon approval of such purchase order, make due entry of the same on the record of encumbrances, which shall be established in the General Accounting Office, showing separately thereon an account for each department, institution or other agency and the law authorizing the appropriation from which the same is to be paid, if from appropriated funds. Encumbrances so made and entered shall, until paid, be shown in the General Accounting Office's books of account so as to be used as a liability against the then cash balance of the particular fund which is applicable, whether general or special, and against the appropriation balance, if the encumbrance is to be paid from appropriated funds."

Note: Section 27-104-6, Miss. Code Ann. (1972), provides "wherever the term 'State Fiscal Officer' appears in any law it shall mean the Executive Director of DFA."

Since purchasing, via POs, sets up the encumbrance accounting of the state accounting system, DFA reviews POs before entering the obligation on the record of encumbrances.

In addition Section 7-7-23, Miss Code Ann. (1972) authorizes the Executive Director of DFA to exempt agencies from furnishing a copy of POs to DFA. SAAS has the capability to record the identification of the person who approved transactions at each level of approval required. Since the approval of electronically submitted POs is recorded in SAAS, the Executive Director has exempted SAAS on-line agencies from furnishing a copy of POs (all types) to BFC. Remember that good internal controls dictate that the third and final approval level for an agency must be someone with the authority to encumber funds for the agency.

In Mississippi there are four agencies that regulate purchasing. The Office of Purchasing and Travel of DFA generally supervises commodity purchases and rental of equipment except those governed by other agencies. ITS governs the acquisition or disposition of any computer and telecommunications equipment, word processing equipment, software or services. In addition, Section 7-7-3, Miss. Code Ann. (1972), authorizes DFA to prescribe and approve all accounting systems and systems for keeping other essential financial records. SPB is legislatively mandated to approve contracts for personnel services. The Personal Service Contract Review Board of SPB approves contracts for personal and professional services. The Attorney General's Office approves contracts for outside legal counsel.

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The agency manuals, listed below, provide additional detail for regulated purchases.

- Information Technology Services - Procurement Policies and Procedures Handbook
- Office of Purchasing and Travel - Procurement Manual
- State Personnel Board - Policy and Procedures Manual
- Personal Service Contract Procurement Regulations Summary

TOPIC	PURCHASING	SUB-SECTION 09.10.15
SECTION	OVERVIEW	ISSUANCE DATE APRIL 30, 2003
SUB-SECTION	DEFINITIONS AND FORMS	REVISION NUMBER 03-003

**STANDARD DEFINITIONS**

The following terms relate to purchasing and purchasing laws.

Bid	A written quote from a vendor to supply a service or sell a commodity at a stated price.
Commodities	The word "commodities" according to Section 31-7-1(e) Miss. Code Ann. (1972), shall mean and include the various commodities, goods, merchandise, furniture, equipment, automotive equipment of every kind, and other personal property purchased by agencies of the state and governing authorities, but not commodities purchased for resale.
Competitive Bid Contract	A contract that has been awarded to a vendor after taking bids from multiple vendors. Any dollar amount may be purchased from the contractor listed. Prior approval must be obtained from the Office of Purchasing and Travel to purchase the item from any other source.
Computer Equipment	Any data processing, computer or computer-related, telecommunications, electronic word processing or office systems equipment, or services utilized in connection therewith.
Emergency	The term "emergency" in accordance with Section 31-7-1(i) Miss. Code Ann. (1972), shall mean any circumstances caused by fire, flood, explosion, storm, earthquake, epidemic, riot, insurrection or caused by any inherent defect due to defective construction, or when the immediate preservation of order or of public health is necessary by reason of unforeseen emergency, or when the immediate restoration of a condition of usefulness of any public building, equipment, road or bridge appears advisable, or in the case of a public utility when there is a failure of any machine or other thing used and useful in the generation, production or distribution of electricity, water or natural gas, or in the transportation or treatment of sewage; or when the delay incident to obtaining competitive bids could cause adverse impact upon the governing authorities or agency, its employees or its citizens.
Equipment	The term "equipment" shall include: automobiles, trucks, tractors, office appliances and all other equipment of every kind and description.
Furniture	The term "furniture" shall include: desks, chairs, tables, seats, filing cabinets, bookcases, and all other items of a similar nature, as well as dormitory furniture, appliances, carpets, and all other items of personal property generally referred to as home, office or school furniture.

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Lease-Purchase	An agreement to purchase equipment or furniture with payments made over a period of several months or more. Lease purchases require approval of DFA or IHL. The Division of Energy and Transportation of the Mississippi Development Authority must approve energy efficiency services and/or equipment.
Motor Vehicle	The term shall mean passenger automobiles, trucks, tractors, aircraft, boats, buses, farm machinery (self powered), dirt moving equipment and all similar equipment. Automobiles may only be purchased by agencies under authority granted by DFA. This is in accordance with Section 25-1-77 Miss. Code Ann. (1972).
Negotiated Contract	The Office of Purchasing and Travel accepts proposals from multiple vendors. The proposals are evaluated with a contract awarded to all vendors whose prices are "competitive". Commodities purchased under these contracts bear a contract number beginning with "5".
Office of Purchasing and Travel	The Office of Purchasing and Travel of DFA.
Open Market Purchase	Commodities purchased that are not covered by competitive bid or negotiated contract.
Sealed Bids	Bids required to be received and maintained in a sealed envelope until day and time specified (in the advertisement) for opening.
Small Purchase Procurement Card (SPPC)	The State Fiscal Officer allows state agencies to make certain purchases without first issuing a purchase order with a small purchase procurement card. The maximum single order purchase limit established by the Office of Purchasing and Travel on the card is \$3,500. Agencies may establish stricter guidelines. Object codes 61800 and 62800 are used when paying the small purchase procurement vendor. Equipment and purchases from hotel, motel, restaurants or health care providers are not allowed on the SPPC. In addition, state contract items should be purchased only from the state contract vendor at or below the state contract price.
Sole Source Purchase	Noncompetitive purchase of commodities available from one (1) source only.
Telecommunications Equipment	Denotes telecommunication equipment, and related services. These include electronic transmission facilities, telephone systems, facsimile systems, radio paging services, mobile telephone services, cellular mobile telephone service, intercom and electro-mechanical paging systems, and any and all systems based on emerging and future telecommunications technology.

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Purchasing Forms

The following forms are utilized by agencies when making a purchase. Applicable MAAPP Manual Section Numbers are listed for quick reference:

<u>Form</u>	<u>Section Number</u>
CP-1 Acquisition Approval	
Purchase Order	09.20.12
Purchase Order Adjustment Voucher	09.20.13
Request for Authorization to Purchase (P-1)	
Request for Contract Personnel Services Approval (SPB-620)	
Request for Revised CP-1 (CP-24)	
Request Form for State Agencies, Universities and Junior/Community Colleges (CP-28)	
Vendor File Maintenance	17.20.05

In addition to these purchasing forms, transactions involving equipment purchases (adding, deleting, and transferring) must be recorded on inventory forms.

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SUB-SECTION	ATTORNEY GENERAL - CONTRACTS FOR PERSONNEL SERVICES	REVISION NUMBER 99-001

**ATTORNEY GENERAL - CONTRACTS FOR PERSONNEL SERVICES**

The Attorney General is required to approve all contracts between state agencies and private legal counsel by the authority vested in him as the State's chief legal officer and advisor delineated in Section 7-5-1, Miss. Code Ann. (1972), and confirmed by action of the courts.

Generally, contracts for outside legal counsel are initiated by the Attorney General's Office when requests for legal services cannot be handled in a timely manner by that office. However, there are times when a state agency determines its own need for outside legal counsel. Prior to the agency entering into a contract for legal services, the agency must submit two (2) copies of Form SPB-620 to the Attorney General's Office prior to submission to SPB. The contract proposed to be executed and a letter of justification should be made a part of the request. Outside counsels with whom agencies intend to contract should not be allowed to begin performance until the actual contractual agreements have been submitted and approved by both the Attorney General and SPB.

The Attorney General's Office will forward the contractual documents to SPB following approval. In instances where a formal written contractual agreement is entered into, the requesting state agency will be given an original contract for its records once it has been executed. A PO is required for this expenditure and must be charged to object code 61630.

BFC will not process any PV for outside legal counsel without first determining that the services and contract were approved by the Attorney General and SPB.

TOPIC	PURCHASING	SUB-SECTION 09.20.12
SECTION	INPUT	ISSUANCE DATE JULY 1, 1998
SUB-SECTION	PURCHASE ORDERS	REVISION NUMBER 99-001

### PURCHASE ORDERS

Once an agency has reached a decision to purchase an item and received any required regulating agency approval (approved P-1, CP-1 etc.), a PO should be prepared (Exhibit 09.20.12-A). The following information must be included on the PO:

- 1 PO number - The PO is a combination of department number and serial number. The department number is a unique 3-digit number assigned to the specific department. The serial number consists of a maximum of 11-digits and should be consecutively numbered by the department for an entire FY and must be unique within the department.
- 2 Date PO prepared
- 3 BY from which funds are to be encumbered
- 4 Contract number (all POs when purchased from a contract require a contract number)
- 5 CP-1 number or P-1 number, if required
- 6 Discount and payment terms, if applicable
- 7 Vendor number (11-digit number - see sections 17.10.10 and 17.20.05)
- 8 Vendor name and address
- 9 Agency name and address for billing
- 10 Shipping address, if different from agency address, for delivery of merchandise purchased. If address is the same as agency address, type "same".
- 11 Sequential line number for each item ordered.
- 12 Contract item number, catalog number, catalog page number and complete description of item purchased (brand name, number, size, etc.) If contract is for personnel services, record the time worked and hours worked in this description section. Multiple lines may be utilized for an item and multiple items may be placed on a PO. Each item should have a separate line number assigned to it.
- 13 Fund number - provide the agency fund number to which the encumbrances will be charged. Multiple fund numbers can be recorded on the same PO.
- 14 Object of expenditure code (5-digits) (see section 25.60.22)
- 15 Quantity purchased
- 16 Unit of measure (pound, thousand, dozen, each, box, etc.)
- 17 Net price per unit (price less discount)



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18 Multiply the quantity times the unit price for the amount

19 Total of amounts in amount column

20 Department name

21 Authorized signature on file with BFC

22 Title of person signing PO

As soon as the purchase has been consummated, the PO is to be completed and the vendor (green) copy mailed to the vendor. The pink copy should be sent to BFC.

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TOPIC	PURCHASING	SUB-SECTION 09.20.13
SECTION	INPUT	ISSUANCE DATE JULY 1, 1998
SUB-SECTION	INCREASE OR DECREASE OF PURCHASE ORDER	REVISION NUMBER 99-001

**INCREASE OR DECREASE OF PURCHASE ORDER**

POs are issued when the item to be purchased is ordered. Many times it is necessary to adjust the amount of the PO so that the invoice can be paid. PO Adjustment Vouchers (Exhibit 09.20.13-A), as approved by BFC, are required to be submitted on all changes in PO amounts. A separate form must be submitted for each PO requiring an adjustment. Adjustments must be made by PO line number. If one PO requires multiple adjustments (increases and decreases) only one PO Adjustment Voucher is required to be submitted to BFC. Adjustment decreases may be made without an explanation. Adjustment increases need an explanation or reason. POs of items not on state contract may be increased up to \$10,000 without prior approval. When original POs exceed \$10,000, the original request must be voided and a new request must be submitted for approval.

**PURCHASE ORDER ADJUSTMENT VOUCHER**

The following information must be included on the PO Adjustment Voucher:

1. BY - must be same BY as PO
2. Vendor Number (11 digit number, see section 17.10.10)
3. Name of vendor (same as original PO)
4. Vendor address
5. Purchase order number - show the number of the original PO (department number/serial number)
6. Date adjustment prepared
7. Contract number or CP-1 or P-1 number

**INCREASES**

8. PO line number receiving an increase
9. Fund number associated with the purchase
10. Object of expenditure code(s) to be increased
11. Amount of increase for each object of expenditure code listed
12. Total amount of increase

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SUB-SECTION	INCREASE OR DECREASE OF PURCHASE ORDER	REVISION NUMBER 99-001

**DECREASES**

13. PO line number receiving a decrease
14. Fund number associated with the purchase
15. Object of expenditure code(s) to be decreased
16. Amount of decrease for each object of expenditure code listed
17. Total amount of decrease

**EXPLANATION**

18. Reason for increase or expenditure object code change
19. Increased quantity being purchased
20. Unit price of item increased (must still be within state contract price)
21. Quantity times unit price equals the amount of increase

**DEPARTMENT**

22. Name of agency
23. Address of agency
24. Signature of agency official approving the adjustment

The green copy should be sent to BFC

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TOPIC	PURCHASING	SUB-SECTION 09.30.10
SECTION	OUTPUT	ISSUANCE DATE JULY 1, 1998
SUB-SECTION	OUTSTANDING PURCHASE ORDER REPORTS	REVISION NUMBER 99-001

**OUTSTANDING PURCHASE ORDER REPORTS**

**PURPOSE**

At the close of each accounting period, BFR provides each agency with reports listing the outstanding POs for each fund number of the agency. These reports should be utilized to reconcile the agency's records with BFR. Outstanding POs that require modification should be increased or decreased as described in section 09.20.13.

There are three reports generated each month to assist the agencies in determining which POs are outstanding and not yet paid. These reports are based on the current accounting period. A listing of these reports by report name and number is provided below with a description of each report following the listing.

<u>REPORT NAME</u>	<u>REPORT NUMBER</u>
Aged Open Purchase Orders by Department, Fund, and PO	E641F
Open Purchase Orders by Department, Fund, Object and PO	E6410
Aged Open Purchase Orders by Department, Vendor and PO	E641A

**DESCRIPTION OF REPORTS**

**AGED OPEN PURCHASE ORDERS BY DEPARTMENT, FUND AND PO**

**PURPOSE**

The Aged Open Purchase Orders by Department, Fund, and PO report (E641F) provides an aged listing of all outstanding POs. A copy of this report is provided as Exhibit 09.30.10-A. This report ages the outstanding POs in 30 days increments. The report does not provide a grand total of the amount outstanding for each PO document; in order to obtain the total outstanding amount, the Cleared Amount can be subtracted from the PO Amount. The PO Amount less the Cleared Amount should equal the amount shown in the balance sheet account 34100, Reserve for Encumbrances, on the monthly trial balance reports.

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TOPIC	PURCHASING	SUB-SECTION 09.30.10
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SUB-SECTION	OUTSTANDING PURCHASE ORDER REPORTS	REVISION NUMBER 99-001

REFERENCE

EXPLANATION

- |    |   |
|----|---|
| 1  | REPORT ID - The number of the report utilized for identification purposes.  |
| 2  | FOR ACCOUNTING PERIOD - The accounting period on which the report is based.   |
| 3  | DEPARTMENT - The agency number and name being reported (sample report in Exhibit 09.30.10-A is blank).                                |
| 4  | FUND - The fund number being reported and the fund name (sample report is blank).   |
| 5  | PO TRANSACTION ID - The transaction number associated with the open PO.   |
| 6  | PO DATE - The date the PO was posted.   |
| 7  | VENDOR NAME - The name of the vendor to receive payment.  |
| 8  | PO AMOUNT - The total amount of the PO.   |
| 9  | CLEARED AMOUNT - The amount of the PO which has been paid and is not outstanding.   |
| 10 | OUTSTANDING AMOUNT - The amount of the PO which is outstanding is aged in 30 day increments.  |
| 11 | FUND TOTAL - The total PO amount, cleared amount and outstanding amount aged by increments for the fund number being reported.        |
| 12 | DEPARTMENTAL TOTAL - The total PO amount, cleared amount and outstanding amount aged by increments for the department being reported. |

**OPEN PURCHASE ORDERS BY DEPARTMENT, FUND, OBJECT, AND PO**

**PURPOSE**

The Open Purchase Orders by Department, Fund, Object, and PO report (E6410) provides a listing of open POs for each object code. A copy of this report is provided as Exhibit 09.30.10.-B.

The total outstanding amount shown for each fund should equal the amount shown in the balance sheet account 34100, Reserve for Encumbrances, on the monthly trial balance reports. Each object code total should tie to the account type 21 expenditures on the monthly trial balance reports.

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SUB-SECTION	OUTSTANDING PURCHASE ORDER REPORTS	REVISION NUMBER 99-001

REFERENCE

EXPLANATION

- 1 REPORT ID - The number of the report utilized for identification purposes.
- 2 FOR ACCOUNTING PERIOD - The current accounting period on which the report is based.
- 3 DEPARTMENT - The agency number and name being reported (sample report in Exhibit 09.30.10-B is blank).
- 4 FUND - The fund number being reported and the fund name (sample report is blank).
- 5 PO TRANSACTION ID - The transaction number associated with the open PO.
- 6 PO DATE - The date the PO was posted.
- 7 VENDOR NO - The 11-digit vendor identification number assigned to the vendor to receive payment.
- 8 VENDOR NAME - The name of the vendor corresponding to the number in 7.
- 9 PO AMOUNT - The total amount of the PO.
- 10 AMOUNT CLEARED - The amount of the PO which has been paid and is not outstanding.
- 11 AMOUNT OUTSTANDING - The amount of the PO which is outstanding.
- 12 OBJECT - The object code and description to which the PO was coded for payment.
- 13 OBJECT TOTAL - The total of all outstanding POs within the object code.
- 14 FUND TOTAL - The total PO amount, cleared amount and outstanding amount for the fund number being reported.
- 15 DEPARTMENT TOTAL - The total PO amount, cleared amount and outstanding amount for the department.

**AGED OPEN PURCHASE ORDERS BY DEPARTMENT, VENDOR AND PO**

**PURPOSE**

The Aged Open Purchase Orders by Department, Vendor, and PO report (E641A) provides an aged listing of all outstanding POs for the agency. A copy of this report is provided as Exhibit 09.30.10-C. This report ages the outstanding POs in 30 day increments. The report does not provide a grand total of the amount outstanding for each PO document or for each fund.

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SUB-SECTION	OUTSTANDING PURCHASE ORDER REPORTS	REVISION NUMBER 99-001

REFERENCE

EXPLANATION

- 1 REPORT ID - The number of the report utilized for identification purposes.
- 2 FOR ACCOUNTING PERIOD - The accounting period on which the report is based.
- 3 DEPARTMENT - The agency number and name being reported (sample report in Exhibit 09.30.10-A is blank).
- 4 VENDOR NAME - The name of the vendor corresponding to the number in 5.
- 5 VENDOR NO - The 11-digit vendor identification number assigned to the vendor to receive payment.
- 6 FUND - The fund number being reported and the fund name (sample report is blank).
- 7 PO TRANSACTION ID - The transaction number associated with the open PO.
- 8 PO DATE - The date the PO was posted.
- 9 PO AMOUNT - The total amount of the PO.
- 10 CLEARED AMOUNT - The amount of the PO which has been paid and is not outstanding.
- 11 OUTSTANDING AMOUNT - The amount of the PO which is outstanding is aged in 30 day increments
- 12 DEPARTMENT TOTAL - The total PO amount, cleared amount and ourstanding amount aged by increments for the department.

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SUB-SECTION	PURCHASE ORDER ACTIVITY REPORT	REVISION NUMBER 99-001

**PURCHASE ORDER ACTIVITY REPORT**

**PURPOSE**

At the close of each accounting period, BFC provides each agency with a Purchase Order Activity report (Exhibit 09.30.30-A) detailing all POs issued and/or cleared during the current accounting period. This report should be utilized to reconcile the agency's records with BFC.

**REFERENCE**

**EXPLANATION**

- 1 REPORT ID - The number of the report utilized for identification purposes.
- 2 AS OF - The current accounting period on which the report is based.
- 3 DEPARTMENT - The agency number and name being reported (sample report in Exhibit 09.30.30-A is blank).
- 4 FUND - The fund number being reported and the fund name (sample report is blank).
- 5 PO TRANSACTION ID - The transaction number associated with the PO.
- 6 VENDOR NAME - The name of the vendor to receive payment.
- 7 VENDOR CODE - The 11-digit vendor identification number associated with the vendor.
- 8 PV TRANSACTION ID - The number of the PV paying the PO.
- 9 DATE - The date the PO was posted.
- 10 CLOSED DATE - The date the PO was cleared.
- 11 PO AMOUNT - The total amount of the PO.
- 12 VOUCHER AMOUNT - The amount of the PV against which the PO was paid.
- 13 DOCUMENT TOTAL - The total amounts of the PO document and the PV document.
- 14 FUND TOTAL - A total of all PO amounts and a total of all PV amounts for the fund number being reported.



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TOPIC	PURCHASING	SUB-SECTION 09.40.10
SECTION	CONTROL	ISSUANCE DATE JULY 1, 1998
SUB-SECTION	COMPLIANCE WITH PURCHASE REGULATIONS	REVISION NUMBER 99-001

**COMPLIANCE WITH PURCHASE REGULATIONS**

Section 7-7-23, Miss. Code Ann. (1972), states that it shall be the duty of the proper official in each department or agency to forward a copy of each PO to DFA on the day the PO is issued.

DFA acting through BFC is responsible for verifying that any purchase covered by an existing regulation is not in excess of the maximum fair price fixed by such purchasing regulation. [Section 31-7-9, Miss. Code Ann. (1972)]. If BFC is not satisfied, the PO is rejected as described in section 09.40.20.

Verifications performed by BFC include the following:

1. Ensuring the form is complete and mathematically correct.
2. Determining if the PO requires a P-1 or CP-1 or if the agency can purchase the item(s) on contract.
3. Ascertaining if required documentation (eg. P-1) is attached. [Note: A P-1 is not needed for each PO for rent. Once the P-1 for rent expense has been originally submitted, it is retained sequentially by BFC.]
4. Determining if the PO is for the amount of the P-1.
5. Performing verification of contract numbers, item numbers and prices.
6. Verifying that extensions of POs are correct.
7. Reviewing for correct coding.

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TOPIC	PURCHASING	SUB-SECTION 09.40.20
SECTION	CONTROL	ISSUANCE DATE JULY 1, 1998
SUB-SECTION	PURCHASE ORDER EXCEPTION REPORTS	REVISION NUMBER 99-001

**PURCHASE ORDER EXCEPTION REPORTS**

If a PO is found to have insufficient or incorrect information, it may be necessary to return the PO for correction or completion. In those instances BFC prepares a PO exception report (Exhibit 09.40.20-A). If the PO or adjustment is cancelled, the agency should return this report to BFC.

Items on the PO exception report are as follows:

- 1 PO number [department (fund) number and serial number]
- 2 Date PO returned
- 3 Vendor name on PO
- 4 Amount of PO
- 5 Reason(s) PO rejected
- 6 Initial or name of employee in BFC who is returning the PO.

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TOPIC	PURCHASING	SUB-SECTION 09.50.10
SECTION	GAAP ACCOUNTING ISSUES	ISSUANCE DATE JULY 1, 1998
SUB-SECTION	DISCLOSURE OF ENCUMBRANCES	REVISION NUMBER 99-001

**DISCLOSURE OF ENCUMBRANCES**

Section 7-7-23, Miss. Code Ann. (1972), states that all POs covering purchases to be paid out of funds appropriated for any FY shall be executed by June 30 of the FY and shall be filed and received by DFA within five (5) working days thereafter, and for electronically submitted POs, the State Fiscal Officer shall issue regulations as to the last filing date required.

**MODIFIED ACCRUAL BASIS OF ACCOUNTING**

The modified accrual basis of accounting used for governmental, expendable trust and agency funds requires that expenditures be recognized when the goods are received and the services performed. The POs issued or to be issued at the close of a FY (June 30) will generally be for goods and services performed and received as well as goods and services to be performed and to be received. Therefore, the agency must analyze the POs outstanding to determine whether the goods and services have been received and services performed.

If the goods have been received or services have been performed, the agency should make a journal entry debiting the proper expenditure codes and crediting accounts payable.

If the goods have not been received or services have not been performed, an encumbrance should be recorded. Encumbrances are defined as commitments to acquire goods and services. Encumbrances are a reservation of fund balance. The section "agency reporting" provides more details on reporting encumbrances.

The agency may have POs which reflect payments (transfers) to other agencies. These transfers will be recorded as "due to" other agencies. This is further explained in the coding of expenditures (sections 11.00.00 et.al.) as well as in the agency reporting sections (sections 27.00.00 et.al.).

**ACCRUAL BASIS OF ACCOUNTING**

Proprietary, pension, and nonexpendable trust funds are on the accrual basis and will record expenses as incurred. Funds on accrual basis are reported as in private enterprise. In doing this it is important to match revenues with expenses. These funds will have prepaid expenses and accounts payable but will not have a reserve of fund balance for encumbrances.

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TOPIC	PURCHASING	SUB-SECTION 09.60.10
SECTION	SAAS ON-LINE USERS	ISSUANCE DATE JANUARY 31, 2000
SUB-SECTION	PURCHASE ORDER DOCUMENTS	REVISION NUMBER 2K-002

**PURCHASE ORDER DOCUMENTS**

The PO document to be utilized is determined by the type of purchase being made. The PO documents with the transaction code and PO name are listed below, and are further described for on-line agencies in the Extended Purchasing Subsystem manual provided to these agencies by DFA. A brief description of each PO and how it is used follows.

<u>Code</u>	<u>Purchase Order Type</u>
PC	Centralized Purchase Order
PD	Decentralized (Departmental) Purchase Order
CS	Computer Services Purchase Order
SC	Service Contracts Purchase Order
PG	State Contract Purchase Order
PN	Agency Purchase Order < \$25

A Centralized Purchase Order (PC) is generally used for purchases which have a total cost in excess of \$10,000. PO's which are not on state contract require that a P-1 form, Request for Authority to Purchase, be submitted to and approved by the Office of Purchasing and Travel.

A Decentralized Purchase Order (PD) is currently used for purchases which are on negotiated contract, purchases with a total cost of less than \$10,000, and for lease-purchases.

Computer related purchases in excess of \$10,000 generally require that a Computer Services Purchase Order (CS) be used. These purchases must be authorized by ITS and an Acquisition Approval Form (CP-1) must be generated prior to the acceptance of the purchase document.

A Service Contract Purchase Order (SC) is required for acquisition of most personnel services in excess of \$100,000. The on-line agency must submit a Request for Contract Personnel Services Approval (form SPB 620) to Personal Service Contract Review Board (PSCRB) for approval prior to preparing this PO. PSCRB enters the approved price agreement on-line into the SAAS price agreement tables. The on-line agencies access and utilize these tables in order to prepare the PO for personnel services. It should be noted that all contracts for attorney services require approval by the Attorney General's Office and the State Personnel Board.

The State Contract Purchase Order (PG) is to be used for purchases on state contract. Subsequently, these contracts will be entered into SAAS by the Office of Purchasing and Travel utilizing the various price agreement tables.

An Agency Purchase Order < \$25 (PN) is to be used for purchases that are less than twenty-five dollars. Purchases made on the PN document do not have to be on state contract, as long as the purchase is within the twenty-five dollar limit.

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TOPIC	PURCHASING	SUB-SECTION 09.60.20
SECTION	SAAS ON-LINE USERS	ISSUANCE DATE JANUARY 31, 2000
SUB-SECTION	SAAS APPROVALS	REVISION NUMBER 2K-002

**SAAS APPROVALS**

All purchasing documents require approvals before the document can be accepted and the PO printed. The approvals are applied on-line (recorded within the software itself). Each purchasing document type requires different approval levels; these are described in detail below by document type.

Centralized Purchase Order (PC)

There are five required levels of approval for Centralized Purchase Orders within SAAS. The first three approval levels are applied by the agency.

The fourth approval level is applied by the Office of Purchasing and Travel. The Centralized Purchase Order must be generated prior to preparing the Request for Authority to Purchase (P-1) form. The document number of the PC should be handwritten on the top right hand corner of the P-1 and highlighted in yellow. The P-1 is then signed by the agency designated employee and forwarded to the Office of Purchasing and Travel. If the document is approved, the Office of Purchasing and Travel will approve the transaction on-line.

BFC has the fifth level of approval. This approval is applied on-line. Once all five levels of approvals are applied, the Centralized Purchase Order will be printed.

Decentralized Purchase Order (PD)

There are three agency level approvals. The fourth approval level is applied by BFC. Once all four levels of approvals are applied, the Decentralized Purchase Order will be printed.

Computer Services Purchase Order (CS)

An approved CP-1, "Acquisition Approval Form," from ITS must exist prior to the CS document acceptance. The CP-1 approvals are generated on-line thereby enabling SAAS to verify the CP-1 status.

Approvals one through three are agency level approvals. Once all three levels of approvals are applied, the Computer Services Purchase Order will be printed.

Service Contracts Purchase Orders (SC)

There are three required agency level approvals for Service Contracts Purchase Orders. The SPB price agreement number is obtained from the price agreement tables within the system.

State Contract Purchase Order (PG)

There are three required agency level approvals for State Contract Purchase Orders. The state contract price agreement number is obtained from the price agreement tables within the system.

Agency Purchase Order < \$25 (PN)

There are three required agency level approvals for Agency Purchase Orders < \$25. The PN will process and accept after the agency approvals are applied.